

135105

United States General Accounting Office

GAO

Fact Sheet for the Chairman,  
Select Committee on Hunger,  
House of Representatives

February 1988

# FEDERALLY OWNED DAIRY PRODUCTS

## Inventories and Distributions, Fiscal Years 1982-88



135105

*Released*  
~~RESTRICTED~~ - Not to be released outside the General  
Accounting Office except on the basis of the specific approval  
by the Office of Congressional Relations.

541340

RELEASED

---

---

---



Resources, Community, and  
Economic Development Division

B-230435

February 23, 1988

The Honorable Mickey Leland  
Chairman, Select Committee on  
Hunger  
House of Representatives

Dear Mr. Chairman:

In response to your November 25, 1987, request, and as subsequently discussed with your staff, this fact sheet presents information for 1982 through 1988<sup>1</sup> on the U.S. Department of Agriculture's (USDA) (1) inventory of dairy products and (2) distribution of those products through various sales and donations programs. As requested, distribution information focuses on the Temporary Emergency Food Assistance Program (TEFAP) and compares dairy product donations under TEFAP with sales and donations under USDA's other distribution programs.

Some highlights from the inventory data include:

- Total milk marketed in the United States increased from 135 billion pounds in 1982 to 146 billion pounds in 1986, declined to 142 billion pounds in 1987, and is projected at 145.5 billion pounds in 1988.
- USDA's purchases of milk and dairy products (primarily nonfat dry milk, cheese, and butter) declined from 14 billion pounds in 1982 to 5 billion pounds in 1987 and are projected at 7 billion pounds in 1988.
- USDA's dairy product inventories (beginning inventories and purchases) declined between 1982 and 1987 and are projected to decline further in 1988. For example, the cheese inventory declined from 1.2 billion pounds in 1982 to 993 million pounds in 1987 and is projected at 558 million pounds in 1988.
- USDA's year-end uncommitted inventories of dairy products from which TEFAP distributions can be made declined between 1982 and 1987 and are projected to be zero at the end of 1988.

---

<sup>1</sup>Yearly information presented in this fact sheet is on a fiscal year basis. Also, 1982 through 1987 data are actual amounts, and 1988 data are USDA-projected amounts.

B-230435

USDA distributes its dairy product inventory through (1) programs which contain mandated minimum requirements, such as the Commodity Credit Corporation's export sales, and (2) other programs which do not contain minimum requirements. The latter category covers traditional distribution programs, such as the school lunch program, and other donation programs, such as TEFAP.

Some highlights from the distribution data include:

- Total dairy product distributions under USDA's sales and donations programs increased between 1982 and 1987 but are projected to decline in 1988. For example, nonfat dry milk committed for distribution increased from 529 million pounds in 1982 to 1.3 billion pounds in 1987 but are projected at 828 million pounds in 1988.
- TEFAP was established to assist in reducing USDA's inventory levels by donating surplus commodities to the nation's needy. Large amounts of dairy products were donated under TEFAP between 1982 and 1987. For example, 2.3 billion pounds of cheese, 387 million pounds of nonfat dry milk, and 615 million pounds of butter were donated under TEFAP during that 6-year period. Cheese and nonfat dry milk donations under TEFAP are projected to decrease in 1988 compared with 1987, while butter donations are projected to increase slightly. In January 1988, USDA officials also projected that, with the decline of its dairy product inventories, all dairy product donations under TEFAP will end after April 1988.

This fact sheet is divided into three sections. Section 1 contains information on USDA's purchases of dairy products between 1982 and 1988. Section 2 contains information on USDA's available inventory, distributions, and year-end uncommitted inventory for dairy products between 1982 and 1988. Section 3 contains information on USDA's available inventory and distributions under the major sales and donations programs for 1987 and 1988, including a description of the major distribution programs.

- - - - -

The data in this fact sheet came primarily from USDA's Agricultural Stabilization and Conservation Service. Information was also obtained from USDA's Food and Nutrition

B-230435

Service and Foreign Agricultural Service. We did not independently verify the data provided by these agencies. However, Agricultural Stabilization and Conservation Service officials informally reviewed a draft of the inventory and distribution material contained in this fact sheet and agreed to its accuracy.

As you requested, this fact sheet will be restricted for one day after which copies will be sent to the Chairman of the Senate Committee on Agriculture, Nutrition, and Forestry, and to the Chairman of the House Committee on Agriculture. Copies will also be sent to the Secretary of Agriculture; the Administrators of the Agricultural Stabilization and Conservation Service, the Food and Nutrition Service, and the Foreign Agricultural Service; the Director, Office of Management and Budget; and other interested parties. Copies will be available to others upon request. If we can be of further assistance, please contact me at (202) 275-5138.

Major contributors to this fact sheet are listed in appendix I.

Sincerely yours,



Brian P. Crowley  
Senior Associate Director

## CONTENTS

	<u>Page</u>
LETTER	1
SECTION	
1	6
2	10
3	18
APPENDIX	
I	27
TABLE	
1.1	7
2.1	11
3.1	22
FIGURE	
1.1	8
1.2	9
2.1	12
2.2	13
2.3	14

FIGURE

2.4	USDA's TEFAP and non-TEFAP cheese distributions, 1982-88	15
2.5	USDA's TEFAP and non-TEFAP nonfat dry milk distributions, 1982-88	16
2.6	USDA's TEFAP and non-TEFAP butter distributions, 1982-88	17
3.1	USDA's distributions of its dairy product inventory, by major distribution category, 1987-88	23
3.2	USDA's cheese distributions, by major distribution category, 1987-88	24
3.3	USDA's nonfat dry milk distributions, by major distribution category, 1987-88	25
3.4	USDA's butter distributions, by major distribution category, 1987-88	26

ABBREVIATIONS

ASCS	Agricultural Stabilization and Conservation Service
CCC	Commodity Credit Corporation
GAO	General Accounting Office
RCED	Resources, Community, and Economic Development Division
TEFAP	Temporary Emergency Food Assistance Program
USDA	U.S. Department of Agriculture

## SECTION 1

### USDA'S PURCHASES OF DAIRY PRODUCTS, 1982-88

This section provides detailed information on the U.S. Department of Agriculture's (USDA) purchases of milk and dairy products between 1982 and 1988.<sup>1</sup> Table 1.1 compares (1) the total amount of milk marketed in the United States, (2) the commercial supply, and (3) the amount that was purchased by USDA. Figures 1.1 and 1.2 show the increasing trend in milk marketed and the decreasing trend in USDA purchases, respectively, during the 7-year period.

---

<sup>1</sup>Yearly information presented in this fact sheet is on a fiscal year basis. Also, 1982 through 1987 data are actual amounts, and 1988 data are USDA-projected amounts.

Table 1.1  
Total Milk Marketed in the United States and  
USDA Purchases, 1982-88

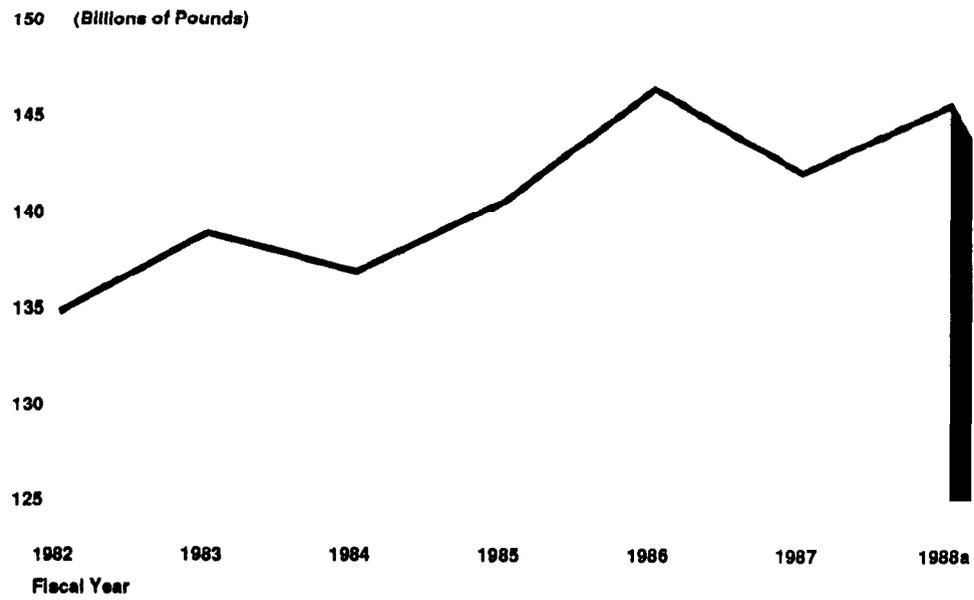
	<u>1982</u>	<u>1983</u>	<u>1984</u>	<u>1985</u>	<u>1986</u>	<u>1987</u>	<u>1988</u>
	----- (billions of pounds) -----						
Milk marketed	134.7	138.8	136.8	140.5	146.3	142.0	145.5
Commercial supply <sup>a</sup>	120.9	122.2	126.4	129.0	134.0	136.6	138.4
USDA purchases of milk and dairy products <sup>b</sup>	13.8	16.6	10.4	11.5	12.3	5.4	7.1
	----- (percent) -----						
USDA purchases as a percentage of total milk marketed	10.2	12.0	7.6	8.2	8.4	3.8	4.9

<sup>a</sup>Commercial supply amounts exclude beginning stocks from the prior year and imported stocks.

<sup>b</sup>Primary dairy products are cheese, butter, and nonfat dry milk.

Source: Agricultural Stabilization and Conservation Service (ASCS).

Figure 1.1  
Total Milk Marketed in the United States, 1982-88



a USDA projection.

Source: ASCS.

Figure 1.2  
USDA's Purchases of Milk and Dairy Products, 1982-88



a USDA projection.

Source: ASCS

## SECTION 2

### USDA'S INVENTORY, DISTRIBUTIONS, AND YEAR-END UNCOMMITTED INVENTORY OF DAIRY PRODUCTS, 1982-88

This section provides detailed information on USDA's inventory, distributions, and year-end uncommitted inventory of dairy products between 1982 and 1988. Table 2.1 compares USDA's inventory, distributions, and year-end uncommitted inventory for the three primary dairy products--cheese, nonfat dry milk, and butter. Table 2.1 also shows the amount of Temporary Emergency Food Assistance Program (TEFAP) donations and the total amount of non-TEFAP sales and donations. Figures 2.1 and 2.2 show the decreasing trends in USDA's inventories, while figure 2.3 shows the trend in distributions during the 7-year period. Figures 2.4 through 2.6 show TEFAP donations and non-TEFAP distributions of cheese, nonfat dry milk, and butter, respectively, during the 7-year period.

**Table 2.1**  
**USDA's Dairy Product Inventory, Distributions, and**  
**Year-end Uncommitted Inventory, by Product, 1982-88<sup>a</sup>**

Dairy commodity	1982	1983	1984	1985	1986	1987	1988
	(millions of pounds)						
<b>Cheese:</b>							
Total inventory <sup>b</sup>	1,165	1,657	1,474	1,358	1,229	993	558
<b>Distributions<sup>c</sup></b>							
TEFAP	142	393	511	434	413	416	245
Non-TEFAP	225	300	246	230	224	326	313
Total	<u>367</u>	<u>692</u>	<u>757</u>	<u>664</u>	<u>637</u>	<u>742</u>	<u>558</u>
Ending uncommitted inventory <sup>d</sup>	<u>825</u>	<u>903</u>	<u>768</u>	<u>657</u>	<u>559</u>	<u>99</u>	<u>0</u>
<b>Nonfat dry milk:</b>							
Total inventory <sup>b</sup>	1,765	2,218	2,114	2,033	1,927	1,509	828
<b>Distributions<sup>c</sup></b>							
TEFAP	7	32	74	82	93	99	56
Non-TEFAP	522	792	802	922	1,099	1,169	772
Total	<u>529</u>	<u>824</u>	<u>876</u>	<u>1,004</u>	<u>1,191</u>	<u>1,268</u>	<u>828</u>
Ending uncommitted inventory <sup>d</sup>	<u>1,177</u>	<u>1,346</u>	<u>1,204</u>	<u>981</u>	<u>697</u>	<u>63</u>	<u>0</u>
<b>Butter:</b>							
Total inventory <sup>b</sup>	600	812	633	548	477	422	352
<b>Distributions<sup>c</sup></b>							
TEFAP	20	163	176	118	71	67	72
Non-TEFAP	166	252	271	317	201	212	235
Total	<u>186</u>	<u>415</u>	<u>447</u>	<u>436</u>	<u>272</u>	<u>279</u>	<u>307</u>
Ending uncommitted inventory <sup>d</sup>	<u>403</u>	<u>391</u>	<u>255</u>	<u>140</u>	<u>194</u>	<u>82</u>	<u>0</u>

<sup>a</sup>1982-87 amounts are actual; 1988 amounts are projected. Total may not add due to rounding.

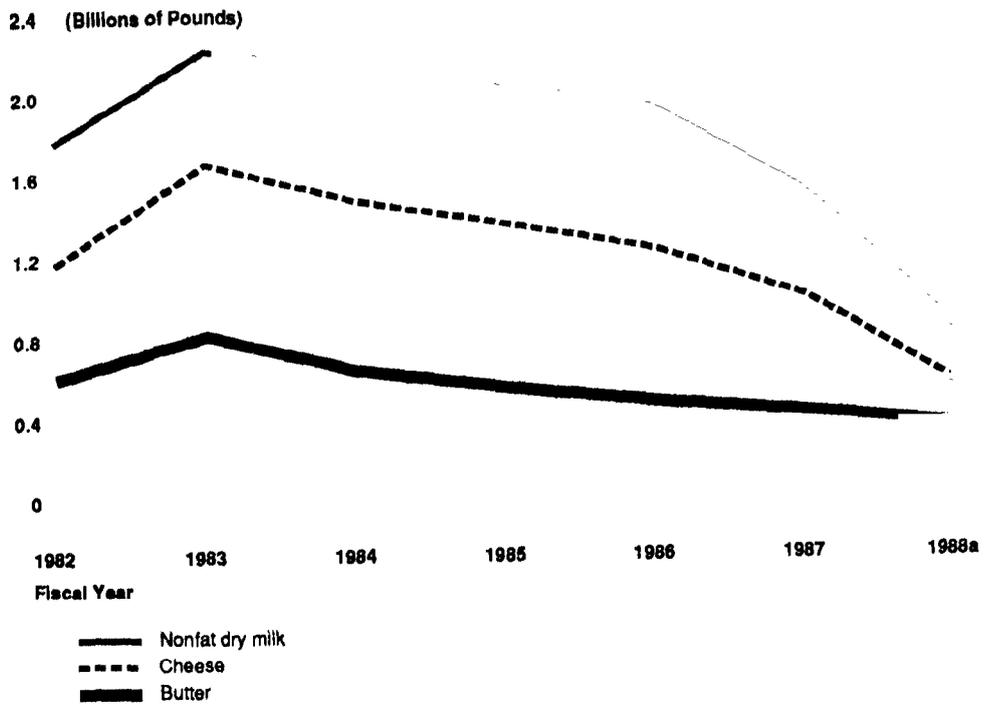
<sup>b</sup>Total inventory does not include committed inventories for 1982 through 1986.

<sup>c</sup>Includes both delivered and nondelivered sales and donations.

<sup>d</sup>Ending uncommitted inventory generally differs from total inventory, less disposition due to inventory adjustment.

Source: ASCS.

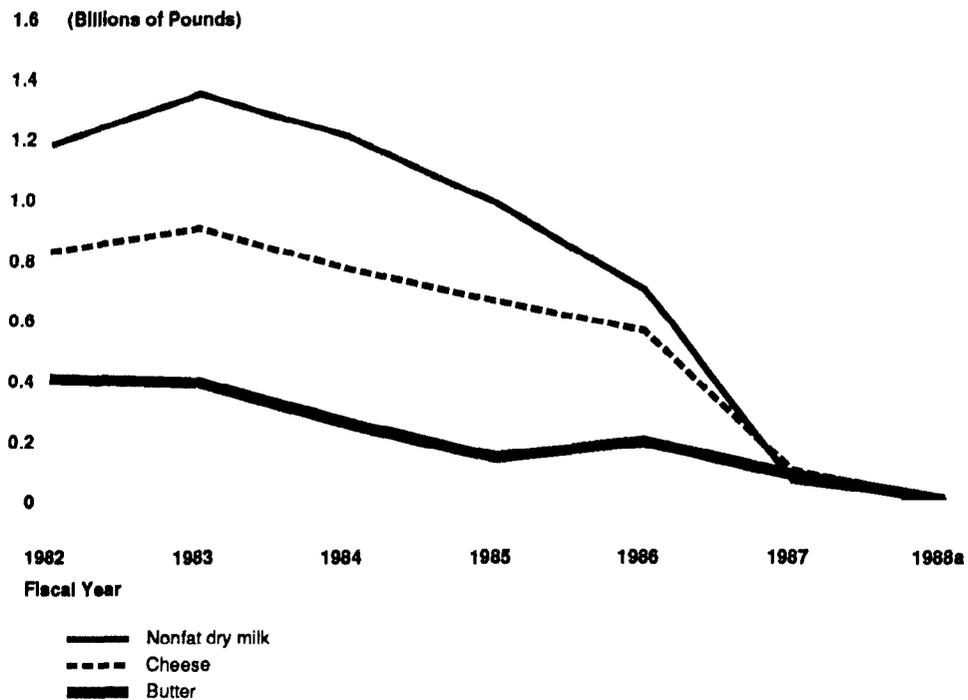
Figure 2.1  
USDA's Inventory of Dairy Products, 1982-88



a USDA projection.

Source: ASCS.

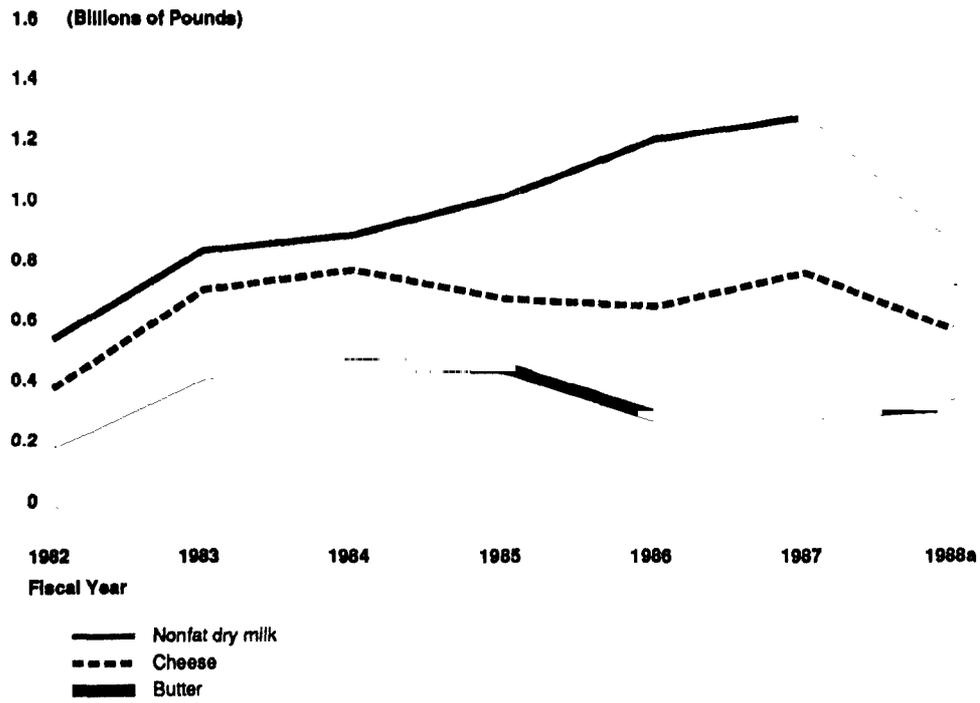
Figure 2.2  
USDA's Year-end Uncommitted Inventory of Dairy Products,  
1982-88



a USDA projection.

Source: ASCS.

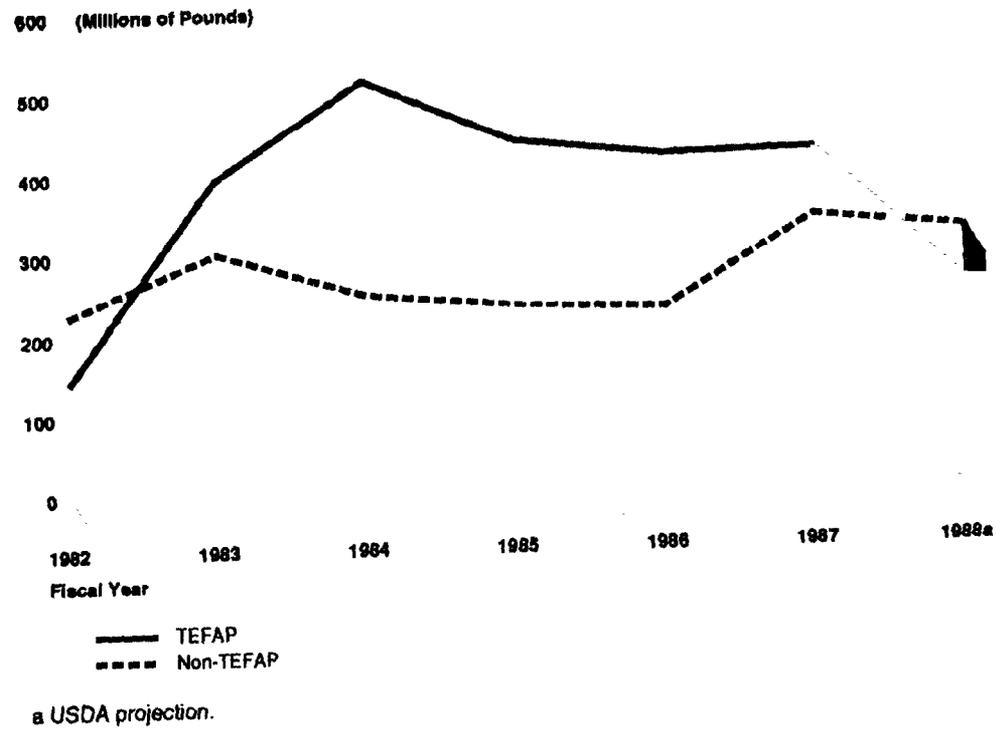
Figure 2.3  
USDA's Distributions of Its Dairy Product Inventory,  
1982-88



a USDA projection.

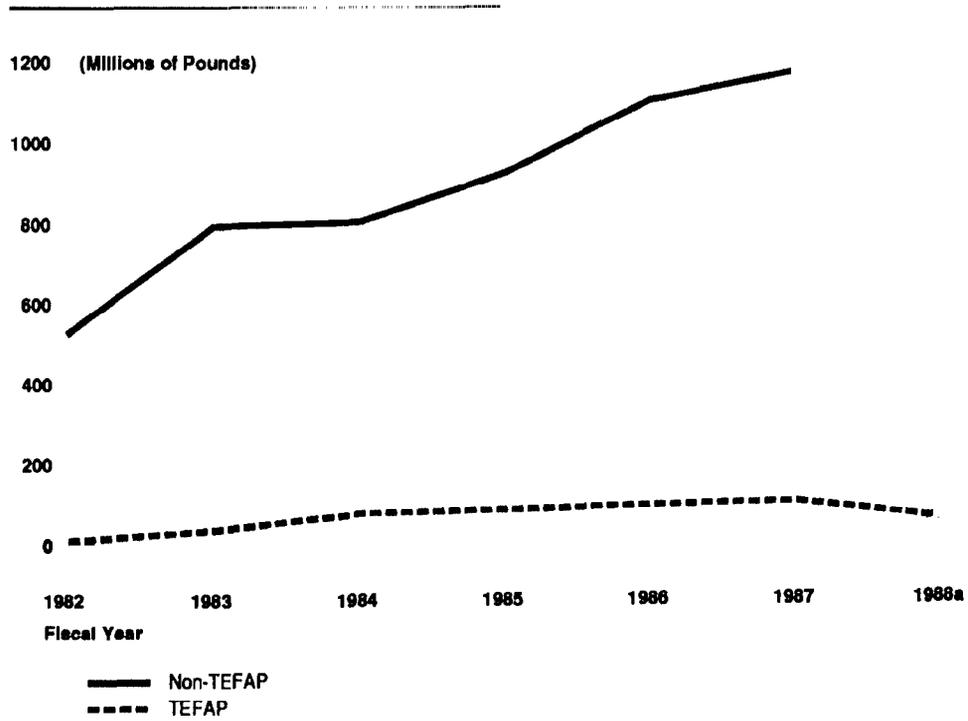
Source: ASCS.

Figure 2.4  
USDA's TEFAP and Non-TEFAP Cheese Distributions,  
1982-88



Source: ASCS

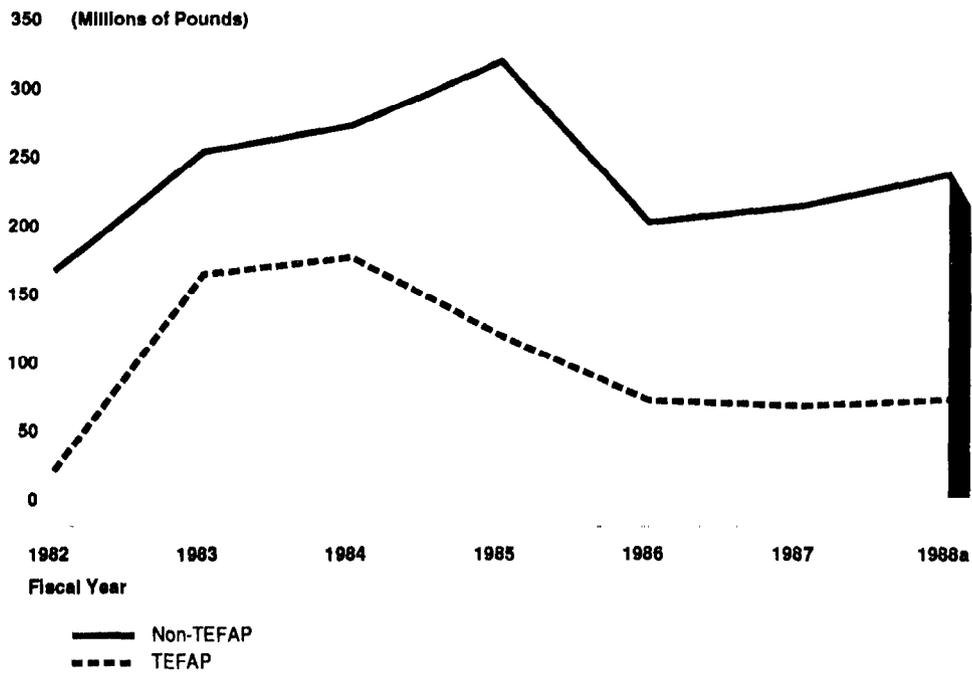
Figure 2.5  
USDA's TEFAP and Non-TEFAP Nonfat Dry Milk Distributions,  
1982-88



a USDA projection.

Source: ASCS

Figure 2.6  
USDA's TEFAP and Non-TEFAP Butter Distributions,  
1982-88



a USDA projection.

Source: ASCS.

### SECTION 3

#### USDA'S INVENTORY AND DISTRIBUTIONS OF DAIRY PRODUCTS UNDER THE MAJOR SALES AND DONATIONS PROGRAMS, 1987 AND 1988

This section provides detailed information on USDA's inventory and distributions of dairy products under the major sales and donations programs during 1987 and 1988, including a description of the major distribution programs. Sufficient dairy product inventories were available in 1987 to meet program distribution requests. However, 1988 inventories are projected to be significantly less than in 1987 and, as a result, 1988 distributions are projected to be significantly less than in 1987. Table 3.1 compares, during 1987 and 1988, USDA's inventory and distributions under the major sales and donations programs for cheese, nonfat dry milk, and butter. Figure 3.1 shows the total amount of dairy products distributed during the 2 years for each major distribution category. Figures 3.2 through 3.4 show cheese, nonfat dry milk, and butter distributions, respectively, by major distribution category.

USDA distributes dairy products under various domestic and foreign sales and donations programs. These programs are briefly described below along with USDA's 1988 distribution projections.

#### DOMESTIC SALES

There are two categories of domestic sales--unrestricted and restricted.

##### Unrestricted Sales

Section 407 of the Agricultural Act of 1949, as amended, authorizes the Secretary of Agriculture to sell dairy commodities owned by USDA's Commodity Credit Corporation (CCC) only at prices above the acquisition price for unrestricted use. USDA projected that there would be no sale of cheese, nonfat dry milk, or butter under this authority in 1988.

##### Restricted Sales

Section 407 of the Agricultural Act of 1949, as amended, also authorizes the Secretary of Agriculture to sell commodities that have deteriorated and are not fit for human consumption. USDA projected that 13 million pounds of nonfat dry milk will be sold for animal feed in 1988.

## EXPORT SALES

There are three categories of export sales--CCC sales to foreign buyers, export incentive program sales, and sales to Department of Defense overseas facilities.

### CCC Sales

Section 1163 of the Food Security Act of 1985 requires the Secretary of Agriculture to sell a minimum of 150,000 metric tons of CCC-owned dairy products in export markets per year. The CCC sales are to be at least 20,000 metric tons of cheese (about 44 million pounds) and 100,000 metric tons of butter (about 220 million pounds). The sales are not to (1) interfere with the normal marketing by the United States of these products, (2) disrupt world prices, and (3) disrupt normal patterns of commercial trade. The authority for these sales is scheduled to expire on September 30, 1988. USDA projected that 55 million pounds of cheese, 373 million pounds of nonfat dry milk, and 70 million pounds of butter will be distributed in 1988, involving 1988 and the prior year's sales.

### Export Incentive Program Sales

Section 153 of the Food Security Act of 1985 requires CCC to operate an export incentive program. The act does not specify the minimum amount of dairy products, or the mix of dairy products, to be sold in the program. According to USDA officials, CCC sales have a higher priority than export incentive program sales because the Food Security Act of 1985 specifies a minimum sales amount for CCC sales while there is not a minimum amount specified for export incentive program sales. The authority for the export incentive program is scheduled to expire on September 30, 1989. USDA projected that 5 million pounds of cheese, 60 million pounds of nonfat dry milk, and 3 million pounds of butter will be sold in 1988.

### Department of Defense Sales

According to USDA officials, sales to the Department of Defense are made so that domestically produced dairy products are available for resale to military personnel and their dependents in commissaries and post exchanges overseas. USDA projected that 4 million pounds of cheese and 5 million pounds of nonfat dry milk will be sold in 1988.

## DOMESTIC DONATIONS

There are five categories of domestic donations--TEFAP, school lunch/child feeding, charitable institutions, the Department of Defense and the Veterans Administration, and the Bureau of Prisons.

## TEFAP

Section 202 of the Temporary Emergency Food Assistance Act of 1983, as amended, requires the Secretary of Agriculture to donate CCC-owned commodities to eligible recipient agencies. Distributions under this authority are to be made to the extent that the commodities are in excess of quantities needed for various specified purposes, including carrying out other domestic donation programs and meeting international development and food aid commitments. USDA projected that 245 million pounds of cheese, 56 million pounds of nonfat dry milk, and 72 million pounds of butter will be donated in 1988. According to USDA officials, all dairy product donations under TEFAP will end after April 1988 because of the decline in dairy product inventories.

### School Lunch/Child Feeding

The school lunch/child feeding category includes donations under the National School Lunch, School Breakfast, Child Care Feeding, and Summer Food Service Programs. Section 416(a) of the Agricultural Act of 1949, as amended, authorizes the Secretary of Agriculture to donate CCC-owned commodities to the school lunch/child feeding programs. Section 6 of the National School Lunch Act, as amended, requires USDA to provide states with a minimum level of commodity assistance for schools and to make up any shortfall in that assistance with cash. In addition, section 1114 of the Agriculture and Food Act of 1981, as amended, requires CCC to donate commodities, which are not likely to be sold or otherwise used, to nutrition projects under various other acts and programs. USDA projected that 204 million pounds of cheese, 31 million pounds of nonfat dry milk, and 90 million pounds of butter will be donated in 1988.

### Charitable Institutions

The charitable institutions category includes donations to soup kitchens, hospitals, special care homes, and state and local rehabilitative prisons. Section 416(a) of the Agricultural Act of 1949, as amended, authorizes the Secretary of Agriculture to donate CCC-owned commodities to eligible charitable institutions. USDA projected that 29 million pounds of cheese, 15 million pounds of nonfat dry milk, and 40 million pounds of butter will be donated in 1988.

### Department of Defense and Veterans Administration

Section 202 of the Agricultural Act of 1949, as amended, authorizes USDA to make distributions of CCC-owned dairy products to the Department of Defense and the Veterans Administration at no cost, except packaging. USDA projected that 6 million pounds of cheese and 5 million pounds of butter will be donated in 1988.

## Bureau of Prisons

Section 210 of the Agricultural Act of 1956 authorizes the Secretary of Agriculture to donate food to the Bureau of Prisons. Federal penal and correctional institutions and state correctional institutions for minors are eligible to receive dairy products. USDA projected that 1 million pounds of cheese and 3 million pounds of butter will be donated in 1988.

## FOREIGN DONATIONS

There are two categories of foreign donations--Public Law 480 (Title II) and section 416(b) of the Agricultural Act of 1949, as amended.

### Public Law 480 (Title II)

USDA distributes dairy products to nonprofit agencies, such as the Cooperative for American Relief Everywhere and the Catholic Relief Services, under the authority of Public Law 480. This authorization has existed since 1954. Title II specifies that a minimum of 1.9 million tons of commodities are to be distributed annually during fiscal years 1987 through 1990. The types of commodities are not specified in the authorization. USDA provides mostly grains to meet the requirement. USDA projected that 125,000 tons, or 250 million pounds, of nonfat dry milk will be donated in 1988.

### Section 416(b)

According to USDA officials, section 416(b) of the Agricultural Act of 1949, as amended, was reinstated in 1983 because of the large surpluses of dairy products. Under this act, USDA distributes dairy products to private voluntary organizations, providing those distributions do not reduce the amounts available for domestic donation programs. USDA-projected distributions for 1988--9 million pounds of cheese, 25 million pounds of nonfat dry milk, and 24 million pounds of butter--were contracted in 1987. USDA projected no additional donations in 1988.

Table 3.1  
USDA's Dairy Product Inventory and Distributions by  
Sales and Donations Categories, by Product, 1987-88

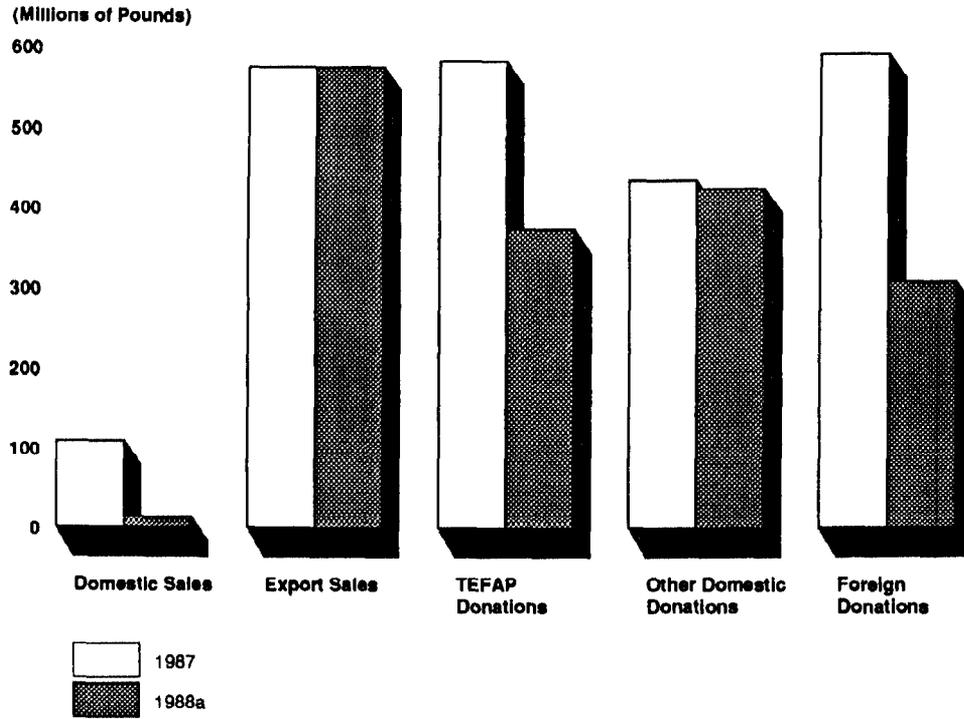
	Cheese		Nonfat Dry Milk		Butter		Total	
	1987	1988	1987	1988	1987	1988	1987	1988
	(millions of pounds)							
Total inventory	993	558	1,509	828	422	352 <sup>a</sup>	2,924	1,738
<u>Distributions</u>								
Domestic sales:								
Unrestricted	19	0	1	0	2	0	22	0
Restricted	0	0	87	13	0	0	87	13
Total	<u>19</u>	<u>0</u>	<u>88</u>	<u>13</u>	<u>2</u>	<u>0</u>	<u>109</u>	<u>13</u>
Export sales:								
Commodity Credit Corporation <sup>b</sup>	13	55	514	373	34	70	561	498
Export Incentive Program	0	5	0	60	0	3	0	68
Department of Defense	3	4	6	5	5	0	14	9
Total	<u>16</u>	<u>64</u>	<u>520</u>	<u>438</u>	<u>39</u>	<u>73</u>	<u>575</u>	<u>575</u>
Domestic donations:								
TEFAP	416	245	99	56	67	72	582	373
Other domestic								
School lunch/child feeding	204	204	32	31	89	90	325	325
Institutions	42	29	18	15	38	40	98	84
Department of Defense and Veterans Admin.	4	6	0	0	1	5	5	11
Bureau of Prisons	2	1	1	0	3	3	6	4
Total other	<u>252</u>	<u>240</u>	<u>51</u>	<u>46</u>	<u>131</u>	<u>138</u>	<u>434</u>	<u>424</u>
Total								
Foreign donations:								
Public Law 480 (Title II)	4	0	325	250	3	0	332	250
Section 416 <sup>b</sup>	35	9	185	25	39	24	259	58
Total	<u>39</u>	<u>9</u>	<u>510</u>	<u>275</u>	<u>42</u>	<u>24</u>	<u>591</u>	<u>308</u>
Total dispositions	<u>742</u>	<u>558</u>	<u>1,268</u>	<u>828</u>	<u>281</u>	<u>307</u>	<u>2,291</u>	<u>1,693</u>

<sup>a</sup>Amount includes 45 million pounds committed for distribution in 1989.

<sup>b</sup>Includes amounts contracted in 1987 for delivery in 1988.

Source: ASCS.

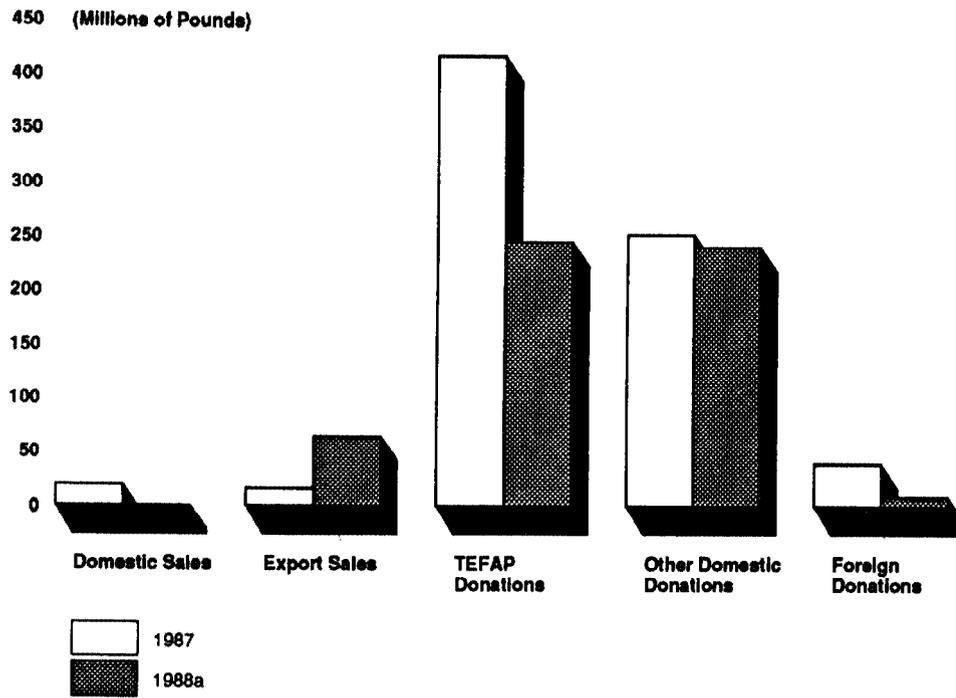
**Figure 3.1**  
**USDA's Distributions of Its Dairy Product**  
**Inventory, by Major Distribution Category, 1987-88**



a USDA projection.

Source: ASCS.

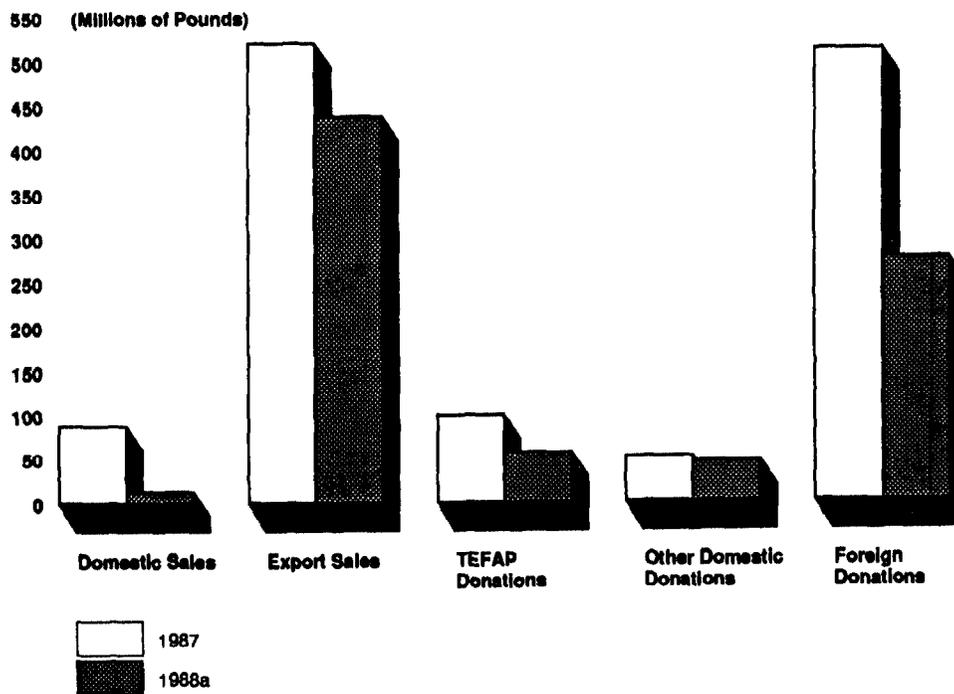
Figure 3.2  
USDA's Cheese Distributions, by Major Distribution  
Category, 1987-88



a USDA projection.

Source: ASCS.

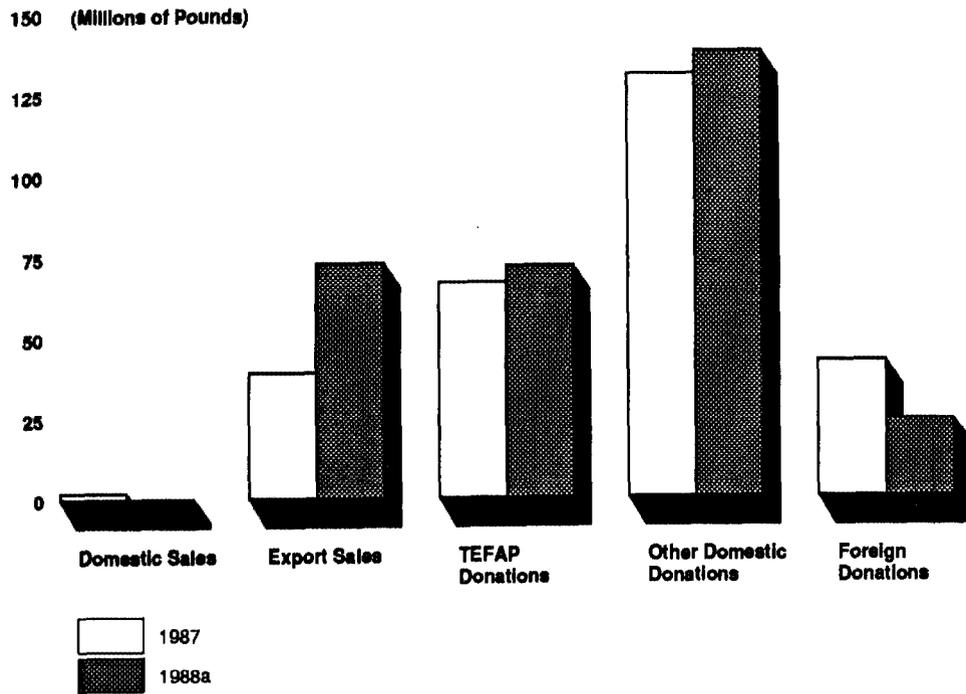
**Figure 3.3**  
**USDA's Nonfat Dry Milk Distributions, by Major**  
**Distribution Category, 1987-88**



a USDA projection.

Source: ASCS.

**Figure 3.4**  
**USDA's Butter Distributions, by Major Distribution**  
**Category, 1987-88**



a USDA projection.

Source: ASCS.

MAJOR CONTRIBUTORS TO THIS FACT SHEET

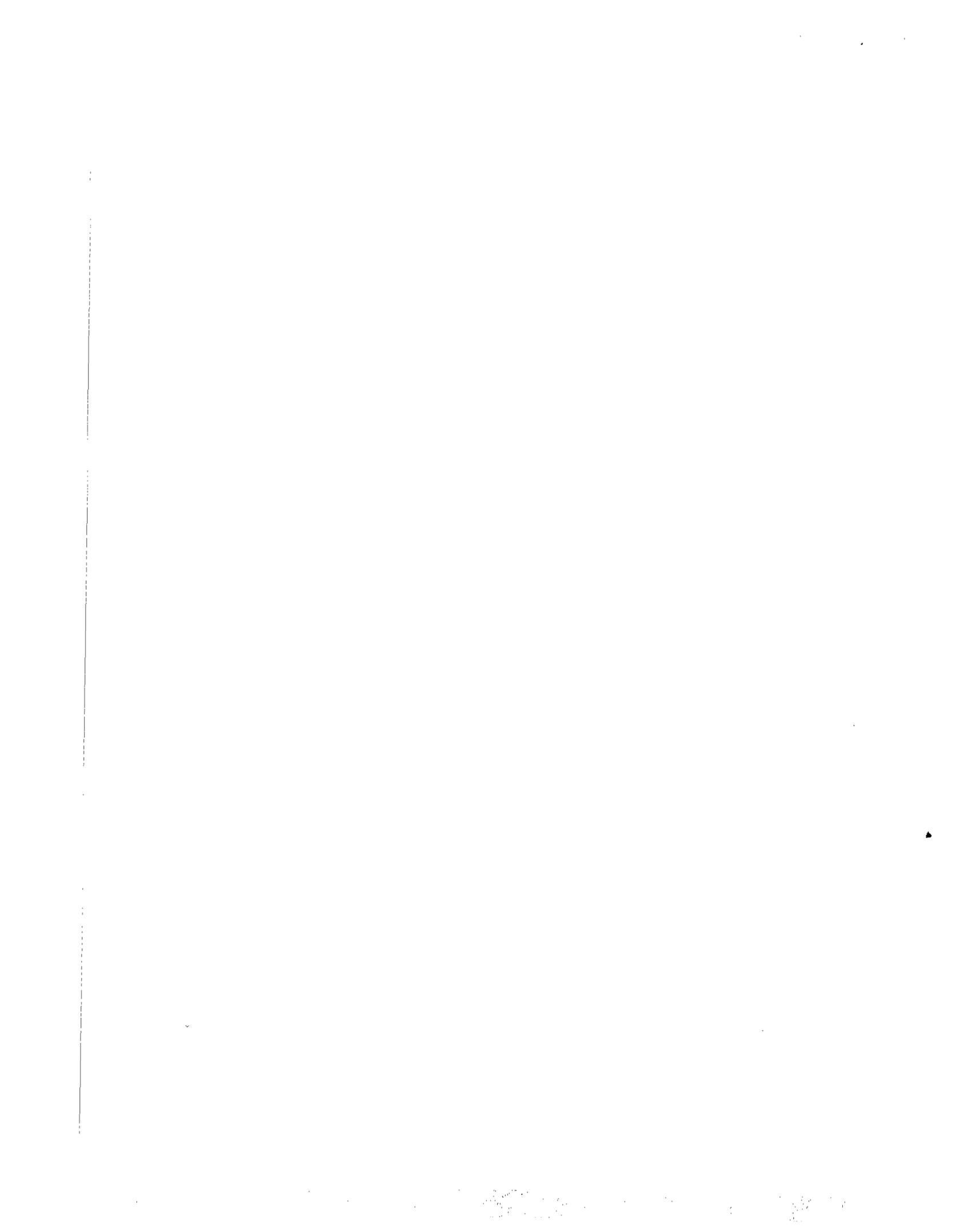
RESOURCES, COMMUNITY, AND ECONOMIC DEVELOPMENT DIVISION,  
WASHINGTON, D.C.

Brian P. Crowley, Senior Associate Director, (202) 275-5138  
John W. Harman, Associate Director  
Jeffrey E. Heil, Group Director  
Patrick J. Sweeney, Assignment Manager

KANSAS CITY REGIONAL OFFICE

Donald W. Birkman, Evaluator-in-Charge  
Lawrence A. Dandridge, Evaluator

(022946)



---

Requests for copies of GAO reports should be sent to:

U.S. General Accounting Office  
Post Office Box 6015  
Gaithersburg, Maryland 20877

Telephone 202-275-6241

The first five copies of each report are free. Additional copies are \$2.00 each.

There is a 25% discount on orders for 100 or more copies mailed to a single address.

Orders must be prepaid by cash or by check or money order made out to the Superintendent of Documents.

**United States  
General Accounting Office  
Washington, D.C. 20548**

**Official Business  
Penalty for Private Use \$300**

**First-Class Mail  
Postage & Fees Paid  
GAO  
Permit No. G100**